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What a party!while it lasted

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IT was a sign of the times that Zainal Alam Kadir changed his cat's vet. Fed-up with the long wait to have his big affectionate Persian, Creamy, attended to, the then-business reporter had popped his head into the examination room. The vet was operating on a large German Shepard, his gloved hands bloody up to the wrists.

"Just then, the phone rang. He dropped everything, and ran to answer it.

"It was from his remisier. He didn't miss a beat. `Buy two lots of this, sell 20 lots of that... buy this, sell that'. I found another vet."

Likewise, another colleague says:

"I was in the dentist's chair, having some fillings done. The phone rang and it was his broker, of course. You'd never guess what happened next!

"He left his index finger in my mouth, all of the five or 10 minutes that he was discussing the market with his broker... tugging at my mouth every time he got excited."

Those were the days of the Super Bull run. Ten years ago tomorrow, the stock market had hit its all-time high. On Jan. 5, 1994, the benchmark Kuala Lumpur Composite Index closed at 1,314.46 points, having risen as high as 1,332 points during the day.

The euphoria that gripped the country then was palpable, and, at the centre of it all, was the huge non-stop party that was Kuala Lumpur.

"Uno's was the latest club to open, and it was the place to be. I would sit at the bar after work, and total strangers would buy me jug after jug of Long Island Iced Tea. Everyone was partying and all the girls wanted the Charriol cable watch," says Raj K, a bean-counter turned entrepreneur.

"I remember going for a 10-course dinner in Cheras that cost RM12,000 for a table of 10. The restaurant had flown in some celebrity Hong Kong chef, and one of the courses was called `Millionaire's Fried Rice'. Someone else picked up the bill, not me."

Clubs such as Hard Rock Cafe, Branigan's and Fire were packed wall-to-wall with revellers; stricter drink-driving laws had yet to be introduced. Many of the clubbers were young dealers and analysts, who fancied themselves the Malaysian "Masters of the Universe".

And tycoons, and "stockists" through which syndicates operated, patronised karaoke clubs like Deluxe, Superstar and Seasons, drinking and singing up bills in the tens of thousands of ringgit.

"I had just come back from Australia, which was going through a recession. The partying in KL was a huge shock. What I saw was crazy.

"But I had a great time," says Raj, grinning.

The madness was pervasive. Taxi drivers to doctors, housewives to engineers, everyone was "playing" the market.

It was the Asian Super Bull, and the Kuala Lumpur Stock Exchange had been on a wild rally that doubled its benchmark index in a year. It saw more shares traded in 1993 than in the previous 20 years, and had surpassed the New York Stock Exchange in terms of daily volume. Kuala Lumpur finished 1993 as the sixth best-performing stock market in the world.

"(In the time) you went to the toilet and came back, you could make RM1,000," says technical chartist SN Lock, a columnist for Business Times.

"I used to give `Market Talk' roadshows in Sarawak, starting in Kuching and going on to Sibul, Bintulu and ending in Miri. Four, five hundred people showed up each time, sometimes more.

"I would analyse a stock's chart in Kuching, and by the time I reached Sibu, it would have hit the target price. So I would have to revise the charts and the targets, and then in Bintulu, the stock would have hit or exceeded those (new) targets as well.

"People in Miri used to ask me `why don't you start your roadshow from Miri for a change?'"

The 100-stock Kuala Lumpur Composite Index then consisted of 85 counters; shares of heavyweight Telekom Malaysia were trading at above RM23 each, and Tenaga Nasional RM20.

The best thing to own at the time was the flip-top MicroTAC, which Motorola claimed was the lightest mobile phone in the market - if you used its slim battery. A cool RM9,000 got you the mobile phone with 45 minutes' talk-time and eight hours on stand-by.

A Tai Ko Tai - the label arrived from Hong Kong with the MicroTAC's brick-like predecessor, the 800g DynaTAC that was just over a foot long with the attached antenna - was something to be envious about; not that you could actually get through to your broker.

Sabahan Joseph Ambrose Lee, then a newly-varnished timber tycoon and not yet a Datuk, once threw his MicroTAC out the window of his Mercedes.

"Useless thing. I can't even get through to my broker. Pay so much for what?" he said after a particularly hot and frustrating day in the stock market. He bought himself the even slimmer MicroTAC Lite.

Other cellular operators, such as Mobifon and Emartel had yet to start up, and Celcom was effectively the sole player. But its analogue ART900 system was not alone in being regularly congested; the sheer volume of calls to dealers and remisiers tied up even Telekom's fixed lines and exchanges.

Indeed, congestion was the order of the day - telephone lines, roads, office building lifts. Kuala Lumpur's Golden Triangle was often just one large traffic jam, as retail investors headed for trading galleries where they could monitor stock prices. The galleries were full of punters puffing away; the ban on smoking in enclosed spaces would come only later in the year.

Ironically, it was the need for more infrastructure - from power to highways to telephone lines - that became the major draw for billions of ringgit from foreign investors; stocks such as Renong, United Engineers Malaysia, and YTL would benefit until the Asian financial crisis started in 1997.

Meanwhile, the Super Bull strained trading systems which struggled to handle the huge volume of transactions. Although transactions on the KLSE was electronically matched, shares were still represented physically in the form of scrip and certificates.

The KLSE had just started moving away from physical delivery with stocks, with only its new Second Board of small companies trading scripless at the time.

Dispatch boys would casually zip around the city on their kapchai with millions of ringgit worth of stocks in their bags. Hundreds of thousands of share certificates were couriered up and down daily on the almost completed North-South Expressway, between the capital, Penang, Ipoh, and especially Singapore where Malaysian shares were still being traded on the over-the-counter CLOB market.

Stock certificates were regularly mislaid; or mistakenly, and sometimes fraudulently, transferred. One former auditor recalls participating in a spot check that the nascent Securities Commission conducted on some stockbroking firms.

"There were share scrip everywhere. In drawers, in cupboards, on the floor under the dealers' desks. The market was so hot that no one could

keep up.

"But it didn't seem to matter, because everyone was making so much money, and on contra too," he says. Buying and then selling before payment is due is a contra trade.

Securities firms' "back-room boys" were used to working into the wee hours on heavy trading days sorting out orders, updating records and checking scrip. But it was worth it, because the stockbroking firms were handing out multiple-month bonuses: to dealers, analysts, back-room staff, and drivers - at times every three months.

Even without the bonuses, they were all rich from trading on stock market tips; some office boys could afford to buy Hondas and Toyotas.

It would not last. The Super Bull had owed much of its energy on huge inflows of "hot money", speculative foreign funds drawn by high interest rates. Hedge funds had been betting that the ringgit, and other Asian currencies, would continue to strengthen against the greenback. The ringgit was then RM2.57 to the dollar.

Stocks such as Berjuntai Tin, Hicom, Kramat Tin, Lingui and Apex Equity had seen their prices multiply more than 10 times during 1993.

Signs were already there that the Super Bull was peaking; authorities from the KLSE to Bank Negara, and even then Prime Minister Datuk Seri Dr Mahathir Mohamad, were trying to talk the market down. But what retail investor could resist the phenomenally easy pickings?

On Jan. 5, the day of record highs, they piled into loan stocks of companies such as Hexza, Aokam, IOI and Lien Hoe. The transactions were fundamentally unsound, for these debt securities were trading at far more than they would ever be worth in reality. Still, if they got out fast enough, they would make loads of money.

Share prices fell the next two days but it was considered normal, it was not immediately obvious that the party was over; just "a breather" after a good, strong run, market commentators insisted.

So investors scrambled to subscribe for two issues on the promise of windfall profits on listing day. The overwhelming response for Petronas Dagangan and Hicom forced issuing house MIDFCCS to use Stadium Merdeka's car park as a collection point.

But even as the central bank spent day after day mopping up excess liquidity in the financial system, it took one man to bring the market back to its senses.

On Jan. 11, 1994, newspapers ran a Bernama interview with Tun Daim Zainuddin, then the economic adviser to the Government, who denied his rumoured participation in a slew of stocks whose prices had surged to dizzying heights.

One newspaper had headlined the article: "Daim: Get out now, don't say we didn't tell you".

"I just play for pocket money. I need some money for weekend spending but people say I am a big player," the former Finance Minister said.

These words were followed by aggressive central bank moves to stem the flows of "hot money", and the first rise in key US interest rates for five years. In Kuala Lumpur, stockbroking companies cut trading lines and force-sold clients' shares.

By February, bourses across Asia went into a freefall; Singapore, Hong Kong, Thailand, Philippines and others.

But the benchmark index managed to recover, and stayed above 800 points for the next four years - until the Asian financial crisis. The 1994 highs remain unsurpassed to date, and the KLCI is currently trading just under 800 points.

Chartist Lock believes breaking this record is not that important.

"Technically, it doesn't really matter. The all-time high is important

mostly for market psychology. It will just take time for the market to build up towards the next cycle.

"Now, it is consolidating. Capital is also expensive. Those days a remisier could put RM10,000 down as deposit and get a RM1 million trading limit. Now, you have to collateralise everything.

"Back then, there were more than 20 `syndicates' operating. Now, I don't think there are more than five."

So when does he expect the next Super Bull?

"You could say there has already been one."

He circles the index chart between 1998 and 1999. Ironically it was the rebound following the Asian financial crisis, when the KLCI almost quadrupled over 17 months. The Malaysian stock market had rallied after selective capital controls were imposed, and the worldwide technology and Internet bubble followed soon after.

"And don't forget 1995-96 when the Second Board led the market." Those were the hey-days of incredible gains in stocks such as Repco Holdings, Associated Kaolin Industries or AKI, Instangreen, and when initial public offerings, like Transocean, Latexx and Bina Darulaman, opened with massive premiums over their offer prices.

"From the charts, you can see there are seven, eight years between cycles." Lock smiles and says, "2005? 2006?"